

Message Text

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FOR COCOA NEGOTIATIONS - O'DONNELL

E.O. 11652: NA

TAGS: ETRD, EAGR, ECON

SUBJECT: COCOA RENEGOTIATIONS

1. FOLLOWING ARTICLE FROM THE JOURNAL OF COMMERCE
DATED JUNE 14, 1978:

BEGIN TEXT:
"U.S. PROPOSAL SHOULD ASSURE COCOA PACT RENEGOTIATION"

"LONDON - RENEGOTIATION OF THE INTERNATIONAL COCOA
AGREEMENT SEEMS A CERTAINTY NOW THAT THE U.S. HAS
CLEARLY INDICATED ITS INTEREST IN PARTICIPATING IN
A NEW ACCORD.

"ALTHOUGH THE U.S. IS NOT A MEMBER OF THE INTER-
NATIONAL COCOA ORGANIZATION (ICCO), IT HAS PROPOSED
A NEW AGREEMENT BASED SOLELY ON A BUFFER STOCK. U.S.
DELEGATES ARE ATTENDING MEETINGS HERE THIS WEEK OF
THE ICCO AD-HOC COMMITTEE ON THE AGREEMENT.

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"DELEGATE SOURCES TOLD UNICOM NEWS THE U.S.
PROPOSAL CALLS FOR A BUFFER STOCK OF UP TO 250,000
METRIC TONS WITH PURCHASES FOR THE STOCK OF A MAXIMUM
OF 100,000 MT IN ANY ONE MARKETING YEAR. IT ADVOCATES
A MEDIAN PRICE INDICATOR WITH MINIMUM AND MAXIMUM

PRICES 20 PERCENT EITHER SIDE OF THIS LEVEL.

"MOST IMPORTANTLY, THE U.S. PROPOSAL EXCLUDES THE USE OF EXPORT QUOTAS. THE CURRENT AGREEMENT IS BASED ON A COMBINATION OF A BUFFER STOCK AND EXPORT QUOTAS.

"THE U.S. HAS TRADITIONALLY BEEN OPPOSED TO EXPORT QUOTAS, WHICH, IT CLAIMS PENALIZE THE MORE EFFICIENT EXPORTING COUNTRIES. IT WAS FOR THIS REASON THE U.S. DID NOT SIGN THE CURRENT AGREEMENT, NEGOTIATED IN 1975.

"THE AD-HOC COMMITTEE WAS ESTABLISHED BY THE EXECUTIVE COMMITTEE AT ITS LAST MEETING HERE IN MARCH. THE AD-HOC COMMITTEE, WHICH IS OPEN TO ALL INTERESTED PARTIES, INCLUDING NON-ICCO MEMBERS, WAS ASKED TO CONSIDER PROPOSALS ON RENEGOTIATION AND MODIFICATION OF THE CURRENT AGREEMENT. AS A RESULT OF THIS WEEK'S SESSION, THE COMMITTEE WILL RECOMMEND THE ICCO EXECUTIVE COUNCIL, WHICH MEETS HERE JULY 27 TO JULY 28, EITHER TO RENEGOTIATE THE AGREEMENT OR TO EXTEND IT.

"PRODUCING MEMBERS ARE PRESSING FOR A RENEGOTIATION OF THE PACT, WHICH THEY SAY HAS PROVED INEFFECTIVE AS A MARKET STABILIZER. THE CURRENT COCOA PRICE OF AROUND 130 CENTS A POUND COMPARES WITH A PRICE RANGE UNDER THE AGREEMENT OF 65 TO 81 CENTS. BUT, UP TO NOW, CONSUMERS HAVE RESISTED RENEGOTIATION SAYING THE EXISTING ACCORD CAN BE IMPROVED.

"IN MARCH, CONSUMERS SAID THEY WOULD ACCEPT RENEGOTIATION
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GOTIATION ONLY IF THE U.S. SHOWED IT WAS WILLING TO JOIN THE AGREEMENT. THE U.S. PROPOSAL THEREFORE EFFECTIVELY INSURES THE PACT WILL BE RENEGOTIATED."
END TEXT.
CHRISTOPHER

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